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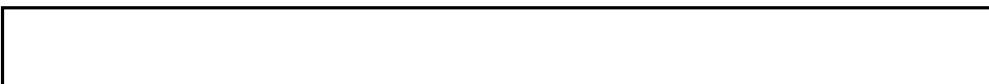
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VIETNAM: There are a number of new indications that the Communists intend to increase the level of military action in many sectors of South Vietnam in the immediate future. Evidence suggests a series of well-coordinated attacks, including actions in the northern provinces as well as a substantial effort near Saigon and in the delta.

It appears that the primary targets in the southern parts of the country will continue to be major roads and waterways, as well as more remote and lightly defended urban centers. It is also likely that rocket and sapper attacks against major cities, including Da Nang and Saigon, are part of the enemy's over-all plan. Moreover, some enemy main force units will probably go after some South Vietnamese military concentrations and installations in the northernmost provinces.

Communist military capabilities have been considerably reduced since their offensive began last spring. Some portions of the enemy plan have doubtless been pre-emptive and, in several areas, reported Communist ambitions clearly exceed the capabilities of their forces. The Communists probably are not planning a campaign of the magnitude of the enemy's effort last spring, but they clearly hope that it will have a greater political impact. [redacted]

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LAOS: The Communists provided their most comprehensive and forthcoming plan for ending the Lao conflict at the first session of peace talks in Vientiane on 17 October.

Chief Communist negotiator Phoune Sipraseuth discussed in detail the mechanics of the political side of the Communist Five-Point Peace Proposal of March 1970. He indicated clearly for the first time that the Communists expect that their Lao neutralist allies as well as themselves would participate with the government side in a "Provisional Government of National Coalition," which should be set up "in the immediate future." Phoune also called for the creation of a broadly based "council" to prepare elections for a new national assembly and the establishment of a permanent "Government of National Union." This scenario runs parallel to Viet Cong demands for a greater share of political power in South Vietnam and probably represents the current Communist estimate of how best to achieve that objective in both countries.

Phoune repeated Communist demands that, as a precondition to a settlement, the US must stop the bombing, and end all other forms of military involvement. He added that a bombing halt must be accompanied by a simultaneous "cease-fire in place." In contrast to previous Communist statements, however, these demands are not preconditions for working out agreements on other matters. Again in keeping with the Vietnamese Communist approach, the statement also held out the possibility of an exchange of prisoners of war "of all nationalities." The Lao Communists have acknowledged that they hold some US prisoners.

The high rank and experience of the Lao Communist negotiating team and its business-like attitude suggest a serious intent to move the talks forward. The Communists' apparent flexibility on the timing of a bombing halt and a cease-fire indicate that

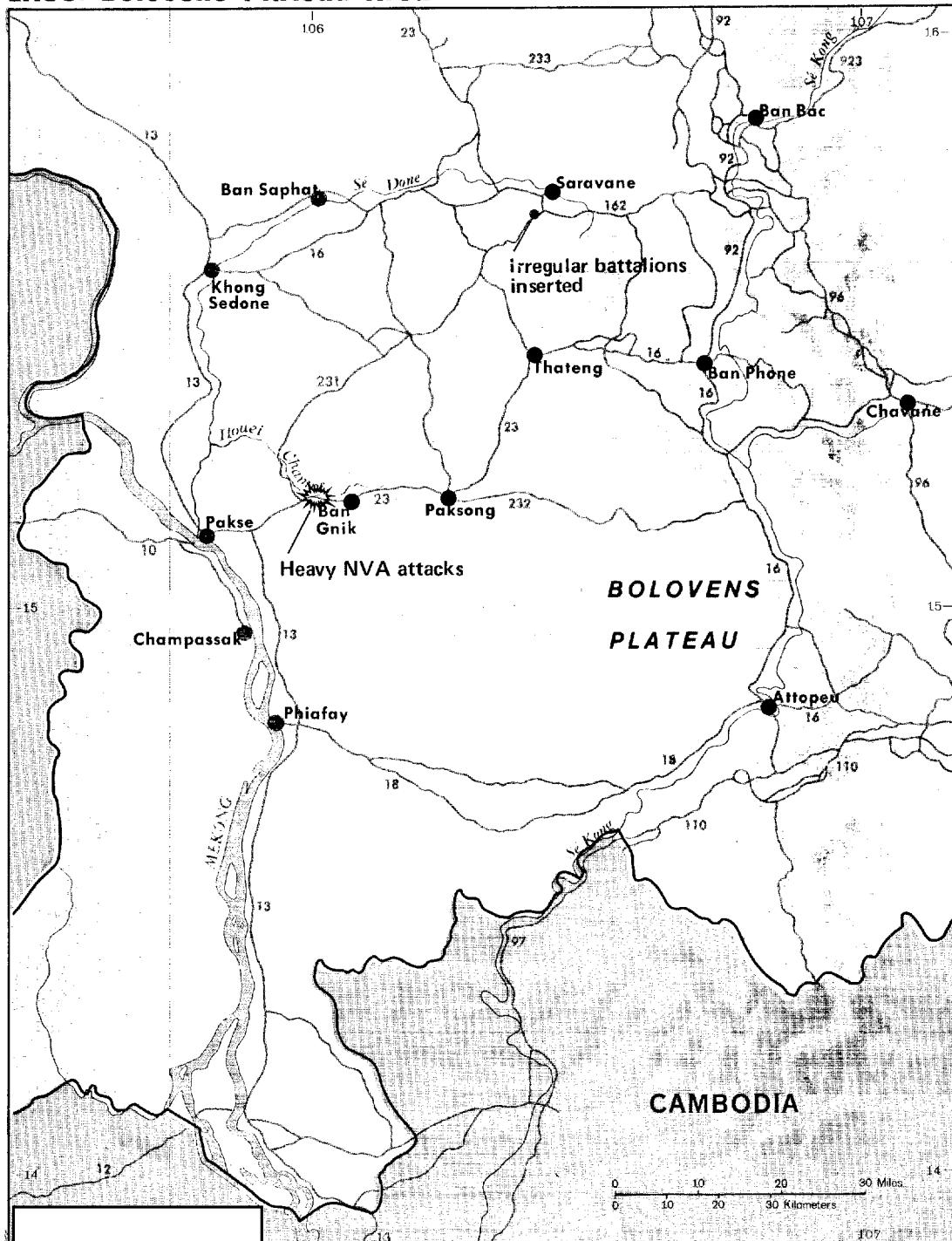
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they will be content to focus for now on less contentious political questions. Even though they have raised some provisions that the government will find hard to accept, their latest proposals seem to allow room for considerable discussion.

The Communists may see several advantages in trying to negotiate seriously. They have thus far repelled the government's military efforts to regain vital lost territory. If Souvanna should subsequently reject their negotiating demands and the talks collapse, they will have lost nothing militarily and could choose to accelerate the pace of the war. If, on the other hand, some progress is made on political matters, the Communists may believe it will be harder for Souvanna to resist calling for a bombing halt. Souvanna's present position is that any bombing halt must be accompanied by a supervised withdrawal of North Vietnamese forces from Laos--a key issue that was ignored in the Communist presentation. [redacted]

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- Government-held location
- Communist-held location

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LAOS: The government has launched a major new offensive in the south.

Advance elements of an eight-battalion irregular force were airlifted on 19 October to positions just southwest of Saravane, which has been under Communist control since late last year. The Communists directed ground and antiaircraft fire against the arriving aircraft, but at last report the airlift was continuing.

If the government troops can retake Saravane, they will probably then try to push south to regain a foothold on the Bolovens Plateau. The Communists will strongly oppose any move onto the Bolovens that would threaten their logistic system to South Vietnam. Three regiments of the Communists' newly organized 968th Division would probably be committed to the effort. In the past few weeks, the 968th has received replacement troops and has had ample time to preposition supply caches.

Elements of the 9th Regiment of the 968th Division on 18 and 19 October, supported by as many as four tanks and heavy weapons, attacked irregular units that for the past months have been defending positions near the junction of Routes 23 and 231 at the western edge of the Bolovens. Some of the irregular troops have retreated to the west and the rest have reported that they are under attack. These assaults probably are designed to forestall any government push up Route 23 toward Paksong town and perhaps to force the government to divert some of its troops from the new offensive against Saravane.

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JAPAN-USSR: Foreign Minister Ohira's talks with Soviet leaders this weekend are likely to center on problems blocking a peace treaty between the two countries.

Ohira's visit nominally is intended to reassure Moscow that normalization of Sino-Japanese relations was not directed against the Soviet Union. It is clear, however, that Tokyo is anxious to determine Moscow's position on the contentious Northern Territories issue, the principal obstacle to a treaty formally ending World War II. Ohira is likely to insist on clear signs that Moscow intends to satisfy Japanese claims to the islands seized by the Soviets at the end of World War II before formal talks can begin.

The Soviets have long pressed for a formal peace treaty, but thus far have shown no willingness to fully meet Japanese demands on the territorial issue. Foreign Minister Gromyko, however, conceded earlier this year that the matter could be discussed during peace treaty talks. As recently as last week party chief Brezhnev wrote to Japanese Prime Minister Tanaka asking that the talks get under way. Moscow's concern over the recent improvement in Sino-Japanese relations, however, has enhanced Tokyo's already strong bargaining position. Moscow has expressed great interest in involving Japan in projects for joint development of Siberian natural resources, but the Japanese have been cautious in responding. This may well be in part because they hope that the economic projects would give them leverage in discussions with Soviet leaders on the territorial issue. Furthermore, the Tanaka government, reflecting popular distrust of Soviet intentions, is under no real political pressure to soften its stand on the territorial issue in return for early conclusion of a peace treaty. In fact, all Japanese opposition parties, including the Communists, support complete return of the disputed islands.

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With general elections expected in December or January, the Tanaka government does not want to commit its prestige to formal negotiations unless there is a clear prospect of movement on the territorial problem.

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PANAMA: The government is still insisting that a meeting of the UN Security Council should be held in Panama next spring, despite informal US warnings that such a meeting would be counterproductive in terms of bilateral relations and the success of the canal negotiations.

Foreign Minister Tack informed the British chargé on 18 October that the Panamanian ambassador to the UN was acting with the full authority of the government in lobbying for this meeting. Tack brushed aside British objections to the change of venue and stated that he was completely confident that the meeting will take place in Panama in March 1973.

Panama's term on the Council expires in December 1973 and it will have the chairmanship only in March. The Torrijos government, convinced that the US does not take Panama's aspirations seriously enough, sees the council meeting as the most effective way to focus attention on the canal issue and seek international support for its negotiating position. Moreover, Panama is convinced it has lined up the necessary council votes. The government, therefore, will be reluctant to give up what it regards as its major ace-in-the-hole without gaining some corresponding advantage.

Both Torrijos and Tack are highly nationalistic and committed to a foreign policy stance that displays Panama's independence from the US. Nevertheless, they have demonstrated a measure of pragmatism and realism in the past and have kept their "Yankee baiting" within very careful limits. The canal negotiations are of paramount importance and the government would probably avoid actions that it felt would prejudice or seriously jeopardize the negotiations. At present Panama is not yet persuaded that the US could ignore the international pressures that a council meeting would generate. As time passes, the regime's prestige may be so committed by its intensive UN lobbying efforts as to make it nearly impossible for Torrijos to back down.

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THE YEMENS: Representatives of Sana and Aden are scheduled to meet in Cairo tomorrow amid reports of continued turmoil along the border this week.

The proposed talks, arranged by an Arab League mediation committee, are to be wide-ranging, covering both past disputes and the current fighting. According to an Arab League statement of last week, the agenda will include such contentious items as conflicting territorial claims, allegations of sponsorship of terrorist activity, Sana's insistence that Aden exiles be permitted to return to Aden, and Sana's demand that its citizens who owned nationalized property in Aden be compensated. Neither side is prepared to make major concessions, and a political solution seems remote.

The National Unity Front, the dissident organization whose forays into Aden in mid-September ignited the current tension, was not invited to attend the Cairo meeting. The absence of front representatives casts doubt on the viability of any agreements that conceivably could result from the talks.

Meanwhile, the already shaky Arab League-sponsored cease-fire, which went into effect on 13 October, was violated on 17 October with what appears to have been fighting between the two Yemens. A renewal of the cease-fire agreement was announced on 18 October, however. [redacted]

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PAKISTAN: Increasing student and labor unrest could complicate President Bhutto's efforts to deal with other domestic and foreign problems.

Campus violence has erupted in the past few days over local issues in scattered areas of the country. In several recent incidents, flare-ups at one school have touched off trouble at another. Countermeasures by police have led to several deaths. Should heavy-handed riot control measures result in more student fatalities, there is a growing danger that the students, who take pride in the part they played in causing the downfall of former president Ayub in 1969, will turn against the provincial and central governments.

A similar situation exists on the labor front, where clashes between police and striking workers in the Punjab and Sind provinces have resulted in many injuries and the death of four people in the city of Karachi on 18 October. Police in the Sind privately allege that much of the trouble springs from attempts by Bhutto's political party to build labor strength. The police complain that while they are expected to crack down on unions not under party control, they are expected to stay in the background when pro-Bhutto unions are demonstrating. US consular officials in Karachi, the nation's major industrial city, are dubious about the prospects for labor peace there.

The rioting has been confined so far to relatively small areas and has occurred over specific local grievances. The number and severity of incidents appear to be increasing, however, creating an atmosphere of unrest that, occurring simultaneously with bitter partisan debate over a new constitution and the future of Indo-Pakistani and Pakistani-Bengali relations, can only compound Bhutto's already difficult position. [redacted]

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VENEZUELA: A constitutional amendment aimed at barring former dictator Perez Jimenez from the presidency seems sure of passage before the general elections in 1973.

Leaders of the governing COPEI and opposition Democratic Action (AD) parties have introduced an amendment to the 1961 constitution that would bar from high public office anyone sentenced by the courts "for crimes committed in the exercise of official duties for which the sentence is three or more years." In 1968, Perez finished serving a four-year jail term on charges of having taken \$14 million in government funds during his administration.

The amendment process requires a majority vote of both chambers and the majority of the state legislatures to become law. Since AD and COPEI together constitute majorities in both chambers and hold 19 of the 21 state legislatures, it is taken for granted that the amendment will pass. The obvious political tampering with the constitution reflects the concern of both major parties about Perez' unquestioned political appeal. Public opinion polls show him to be the leading candidate for the presidency. In late May Perez Jimenez returned from voluntary exile in Spain to take political soundings for the 1973 presidential elections. Perez announced that he was a presidential candidate, but he did not say whether he would campaign personally or appoint a surrogate candidate.

Opposition to the amendment has already surfaced not only from the former dictator's supporters but also from other political parties and movements representing a broad political spectrum that hope to pick up large segments of the Perez vote. Thus far there has been no reaction from Perez

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Jimenez in Spain. He may counter this move to bar his candidacy either by running a surrogate candidate or by offering his backing to the highest bidder. He may be unable, however, to transfer the allegiance of his supporters to another candidate.

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CUBA: The Castro regime is apparently giving more responsibility to the Communist Party provincial committees by phasing out the positions of Political Bureau delegates in the various provinces.

Havana domestic radio recently announced that the Political Bureau delegate to Camaguey Province would become a vice-minister of the armed forces. The Political Bureau delegate position evidently will remain vacant. The broadcast also stated that the previously vacant position of Camaguey Province party first secretary would be assumed by the former vice-president of the National Institute of Agrarian Reform. A similar shift of positions occurred in Matanzas Province last year.

The Political Bureau delegate system was originally designed to provide centralized control over those provinces afflicted with ineffective party management. The delegates had authority over the provincial first secretaries and reported directly to the eight-man national Political Bureau. These recent personnel changes, however, indicate that the provincial party organization has been revitalized and is now ready to resume control of political and economic affairs in Camaguey. The elimination of the Political Bureau delegate system will mean a diminution of Havana's control over provincial administration. Castro apparently is making some concessions to his critics, particularly the USSR, that total concentration of authority is counterproductive.

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ICELAND: Foreign Minister Agustsson has told parliament that negotiations with the US on the status of the Icelandic Defense Force (IDF) will commence in January. He confided to the US ambassador that he is under extreme pressure because of domestic politics to get the talks started soon. The ambassador suggested that a time later than January might be better. By announcing the intention to begin talks on the IDF issue, Agustsson probably hopes to divert public attention from minor compromises that the government may have to make in order to settle the fishing limits dispute.

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UK: The pound sterling yesterday fell to \$2.39⁴, its lowest level since December 1970. International money managers and speculators apparently were hedging against rumors that the pound would soon be repegged well below \$2.40. This possibility, however, was rejected by a British Treasury official, who also denied any prospect of near-term repegging. Another factor in the current attack on the pound is the potential for renewed labor unrest if British unions and the government cannot agree on an anti-inflationary policy.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 19 October 1972 approved the following national intelligence estimate:

NIE 89-72 "Venezuela: The Politics of
Oil" [redacted]

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